

# City of Louisville

**SALES TAX & LICENSING DIVISION  
SALES & USE TAX SESSION**

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# City Taxpayer Service Office

- Penney Bolte – Tax Manager
  - City Web: [www.louisvilleco.gov](http://www.louisvilleco.gov)
  - E-mail: [penneyb@louisvilleco.gov](mailto:penneyb@louisvilleco.gov)
  - Phone: (303) 335-4514
  - Fax: (303) 335-4529
  
- Kelly Nichol – Tax Auditor II
  - E-mail: [kellyn@louisvilleco.gov](mailto:kellyn@louisvilleco.gov)
  - Phone: (303) 335-4524
  - Fax: (303) 335-4523

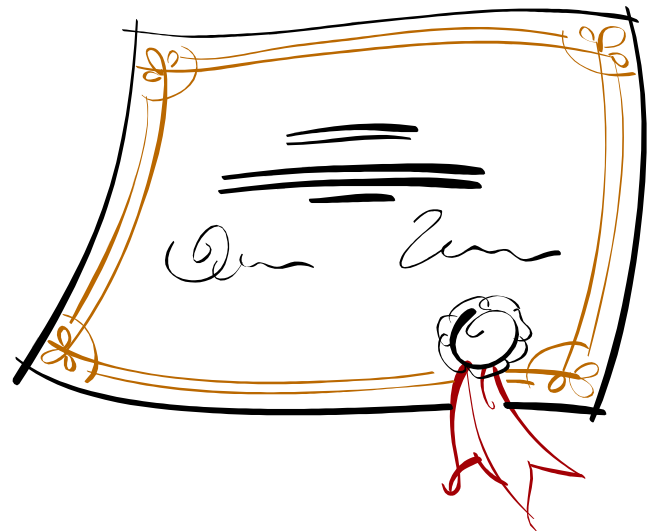
# Topics

- Licensing
- Tax rates
- Sales and use tax definitions
- Taxable and exempt transactions
- Nexus
- Charging and collecting taxes
- Determining use tax liabilities
- Calculation & remittance of taxes
- Recordkeeping
- Enforcement
- Resources



# City Licensing Requirements

- All businesses located in the City of Louisville, conducting sales in the City, or that deliver into the City, are required to have a Sales/Use Tax License
- The fee is \$25 annually
- On-Line renewal available



# Tax Rates

**Sales tax – 3.5%**

**Combined sales tax rate:**

- **2.9%**      **State of CO**
- **1.1%**      **RTD/CD**
- **0.8%**      **Boulder County**
- **3.5%**      **City of Louisville**
  
- **8.3%**      **Total**

**Use tax – 3.5%**

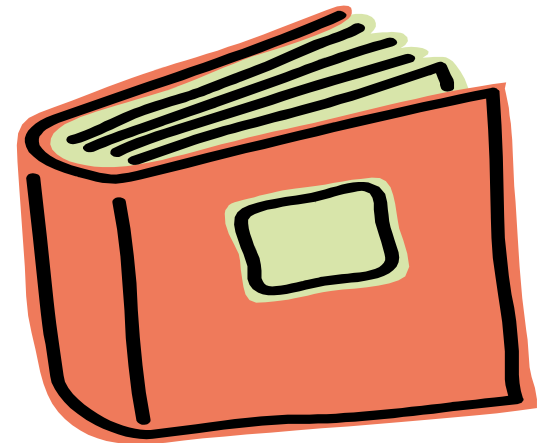
**Combined use tax rate:**

- **2.9%**      **State of CO**
- **1.1%**      **RTD/CD**
- **3.5%**      **City of Louisville**
  
- **7.5%**      **Total**

**Consumer use tax *is not* due to Boulder County (except on building materials and motor vehicles).**

# Louisville Sales/Use Tax Ordinance Highlights

- One comprehensive document
- List of taxable and exempt transactions
- Recordkeeping
- Penalties and interest
- Licensing and renewal
- Administration



# Sales Tax - Definition

- When tangible personal property or taxable services defined in the Louisville Municipal Code are sold or provided to an end user, sales tax must be collected by the seller.
- Who is the end user? When a transaction takes place and the purchaser has no intent of re-selling the item(s) purchased, the purchaser is considered the end user.

# Sales Tax

## Sales Tax Added to the Price

Retailers must add the sales tax due to the taxable purchase price and show the tax as a separate and distinct item. The only two exceptions are the sales of liquor by the drink and items sold through coin-operated vending machines for which the tax may be included as part of the purchase price.

Every retailer must remit sales tax equal to the total taxable sales for the reporting period. The taxable sales should be multiplied by the City tax rate and the tax remitted even if the retailer did not collect as much as is owed.



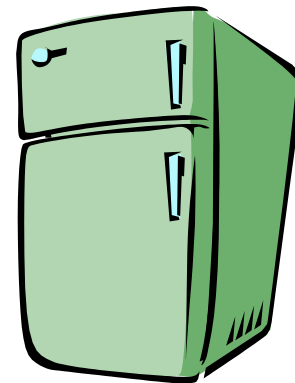
# Sales Tax

## Sales Tax is Transactional

Sales and use tax are transactional taxes, meaning that each time an item is sold, transferred or similar transaction, to a different user, consumer or owner, the item is subject to tax.



Let's use a refrigerator as an example of multiple taxable transactions.



# Sales Tax

1. When a new refrigerator is purchased from a retailer for \$1,000, the retailer must charge the purchaser sales tax on the \$1,000.
2. Two years later, the purchaser sells the refrigerator to a used appliance dealer for \$500. The purchase by the used appliance dealer is a wholesale purchase for resale and no tax is due.
3. When the used appliance dealer sells the used refrigerator to a machine shop for \$700, he must charge and collect sales tax on the \$700.
4. The machine shop goes out of business and all the assets of the business are put up for sale at auction. The auction company sells the refrigerator for \$250 to the highest bidder. The auction company must charge and collect sales tax on the \$250.

# Taxable Transactions

(Purchased, used, consumed, or delivered into the City)

- Auctions
- Automotive vehicles
- Charitable organization & government sales
- Combined personal property rentals with operator service
- Computer programs or software
- Construction materials (purchased without a building permit)
- Construction equipment used inside the City
- Customized computer programs or software (when resold or not charged at an hourly rate)
- Exchanged property
- Food and drink
- Freight and delivery (when not separately stated)
- Gas and electric services
- Linen services
- Machinery and machine tools in excess of \$500 used directly in manufacturing

# Taxable Transactions (Cont.)

- Mobile machinery
- Maintenance services and agreements
- Meals provided at no charge or at a reduced charge to employees
- Medical supplies
- Pay television services
- Prefabricated goods and materials
- Security systems services
- Storage space for tangible personal property - the rental of indoor or outdoor space
- Tangible personal property:
  - Whether or not such property has been included in a previous taxable transaction
  - When purchased for use without payment of the sales tax and used, stored, or consumed inside the city either personally or in conjunction with the rendering of a service
  - When purchased at wholesale and subsequently used by the taxpayer, either personally or in the business
  - Includes business assets
  - Includes rentals/leases
  - Includes internet sales

# Taxable Transactions (Cont.)

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- Telecommunication services
- Telecommunications equipment
- Vending machine sales

# Exempt Transactions

- ▶ Access services
- ▶ Nonresident motor vehicles
- ▶ Agricultural commodities
- ▶ Charitable organization purchases
- ▶ Cigarettes
- ▶ Construction materials (when purchased with a building permit)
- ▶ Customized computer programs or software (when billed on an hourly rate)
- ▶ Drugs (prescription)
- ▶ Factory built housing
- ▶ Farm close-out sales
- ▶ Food (when purchased w/WIC food stamps)
- ▶ Garage sales

# Exempt Transactions (Cont.)

- ▶ Industrial use utilities
- ▶ Internet access services
- ▶ Labor
- ▶ Livestock/Livestock feed
- ▶ Manufacturing or compounding
- ▶ Medical supplies – those deemed tax-exempt under LMC
- ▶ Motor fuels
- ▶ Municipal projects
- ▶ Newspapers
- ▶ Packaging materials
- ▶ Prescription drugs for animals
- ▶ Private communication services
- ▶ Prosthetic devices
- ▶ Sales tax paid to another city

# Exempt Transactions (Cont.)

- ▶ Sales to public utility or railroad
- ▶ Storage of construction and building materials
- ▶ Rentals or leases of inventory (purchases)
- ▶ Sales for outside delivery
- ▶ Sales taxed items or other lawful tax paid
- ▶ Therapeutic devices
- ▶ U.S. government
- ▶ Wholesale sales



# Tax-Exempt Organizations

- How do you know if an entity is tax-exempt?
- You are responsible to determine if a state-issued tax exemption certificate is valid, and if it isn't, you will be responsible to pay the sales tax
- Exemption certificates or sales tax license (resale) numbers (Items being purchased tax-exempt must be for goods related to the purchasers business)
- If you don't have satisfactory documentation, charge the tax or don't make the sale!
- <https://www.colorado.gov/revenueonline>



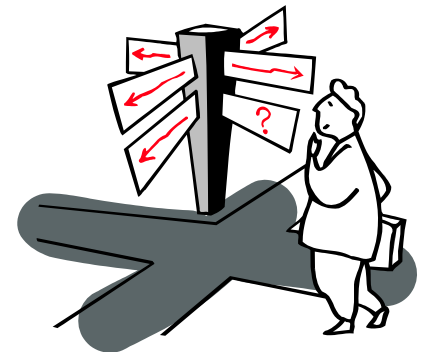
# Tax-Exempt Purchasing

- What types of government, non-profit or charitable payments are permitted?
  - Charitable purchase over \$100, must be made using charitable funds.
  - Local government purchases must be made with a purchase card “P-Card”
  - State and Federal use multiple purchase cards (may be best to use affidavit for purchase).



# Charging Sales Tax - Nexus

- Sales tax is based on the physical location of the purchaser
- Minimum amount of sales tax you are required to collect or should be charged (“shared tax”)
- Seller is responsible to collect and remit sales tax
- DRP 1002 State of Colorado - Sales Tax Rate Publication
- When in doubt, collect the sales tax



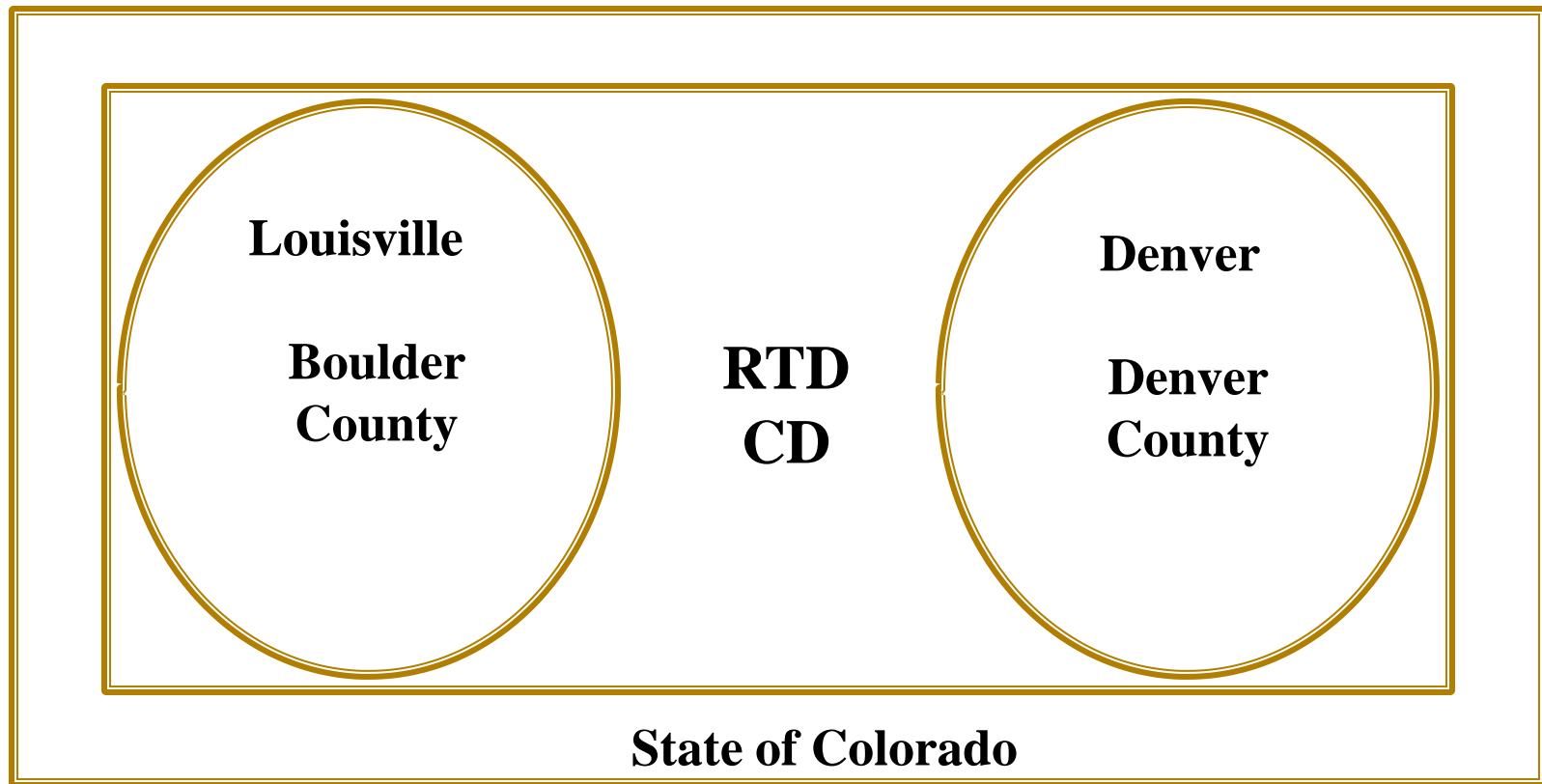
# Seller - Tax Responsibilities

- Colorado retailers/vendors must charge, collect and remit sales tax for the jurisdictions they share with their customer (also referred to as “shared tax”).
- Out-of-State retailers/vendors are required to charge, collect and remit sales tax if they are “doing business” or have “nexus” within the state or city.
- Some retailers/vendors “voluntarily” charge, collect and remit sales tax. (This is a courtesy to you!)

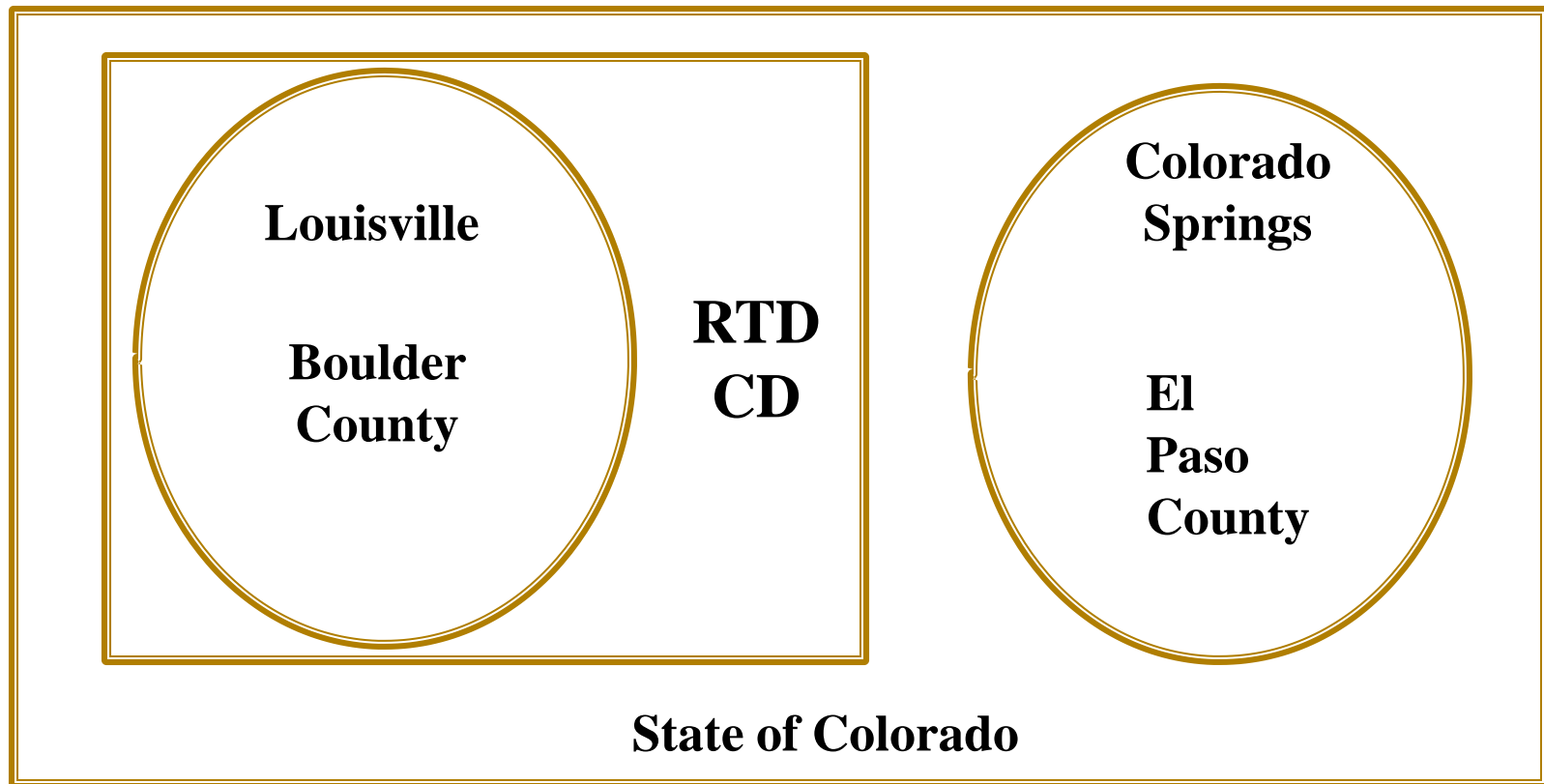
# How Items are Taxed

- Items are taxed based on the location of the retailer/vendor when you pay for, and take items with you.
- Because you are standing in the store and taking the items with you, you share all jurisdictions, and the tax rate of the retailer/vendor is charged.
- Items are taxed based on the purchaser's location when items are shipped or delivered to you.
- The retailer/vendor should charge tax based on the jurisdictions they “share” with you (at a minimum).
- If the retailer/vendor is voluntarily collecting and remitting tax, they will charge the full tax rate for your location.

# Shared Tax Collection

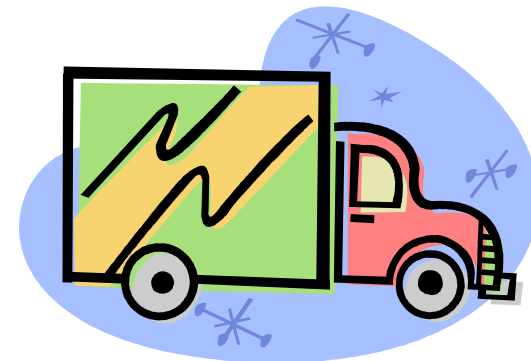


# Shared Tax Collection



# Taxing Examples - Delivery

- In-State purchase of a \$2,000 copier for delivery to Louisville:
  - **Denver** vendor should charge 4% or \$80 (2.9% state, 1.1% RTD/CD)
  - **Superior** vendor should charge 4.8% or \$96 (2.9% state, 1.1% RTD/CD, 0.80% Boulder County)
  - **Fort Collins** vendor should charge 2.9% or \$58 (2.9% state)
- Out-of-State purchase of a \$2,000 copier, On-line, by Catalog or Phone for delivery to Louisville:
  - No tax (no nexus)
  - 2.9% or \$58 (nexus in State)
  - 4% or \$80 (nexus in State & RTD/CD)
  - 8.3% or \$166 (nexus in Louisville or voluntary collector of sales tax)





# Deliveries Outside the City

The Louisville Municipal Code (LMC) imposes a sales tax on tangible personal property and certain taxable services sold at retail within the City. Items delivered outside of the City are exempt from Louisville sales tax when *all* of the following conditions are met:

- ✓ The sales are to those who reside or do business outside the City and such articles delivered are used outside the City.
- ✓ The articles purchased are delivered to the purchaser outside the City by common, contract or commercial carrier employed by the seller to effect delivery, or by the seller's vehicles or by mail, but at all time at the seller's expense.
- ✓ The seller retains full ownership and liability for all articles being delivered to the destination outside the City.

# Deliveries Outside the City

## Examples

- **Denver Business A** purchases a new lathe from Louisville Business B and Denver Business A sends its company truck to pick up the lathe in Louisville. Louisville Business B should charge Louisville sales tax on the purchase price of the lathe because title of the lathe transferred in Louisville.
- **Boulder Business X** purchases new warehouse shelving from Louisville Business Y. The Boulder business contracts with a third-party freight company to pick up the shelving and deliver it to their new warehouse in Longmont. Louisville Business Y should charge Louisville sales tax on the purchase price of the shelving because title of the shelving transferred in Louisville.

# Deliveries Outside the City

## Examples

- *Superior Resident C* purchases new outdoor furniture from Louisville Retailer D and has it delivered to their home in Superior. Louisville Retailer D should not collect Louisville sales tax on the transaction because the goods are being delivered outside of Louisville and the retailer maintains ownership of the goods until delivered.
- *The same Superior Resident C* purchases other decorative accessories at the same time the outdoor furniture is purchased from Louisville Retailer D, but takes the decorative accessories home with them. Louisville Retailer D should charge Louisville sales tax on the selling price of the accessories because the ownership of the goods transferred in Louisville.

# Tax Considerations

- Nexus and point of sale (POS) are part of the equation to determine the applicable tax to be charged
- Is the city home rule or statutory?
- How are the goods or services conveyed to the purchaser?
- Is freight or shipping & handling fees taxable?
- If your company delivers goods outside the City or State, make sure you maintain a copy of the signed delivery receipt
- When would you charge sales tax on items delivered outside the city?
- If you regularly make sales into other cities, find out what they tax and what their licensing requirements are
- You can be audited by another city for non-payment of sales tax
- If non-taxable services, freight or other fees are billed lump sum, the entire invoice amount is taxable

# What is Use Tax

- ▶ Use tax in the State of Colorado is based on the location of the “use” of the item.
- ▶ Use tax is a complement to sales tax, not an additional tax.
- ▶ When a vendor has not charged sales tax, the purchaser must pay use tax.
- ▶ Most companies currently remit State and RTD use tax to the Colorado Department of Revenue on purchases for which tax was not charged.
- ▶ Use tax was adopted by the State of Colorado to help ensure that a city or town having limited retail establishments would be able to generate revenues by taxing the “use” of goods being used in their community, in addition to the “sale” of goods.
- ▶ Use tax does not apply to inventory held for re-sale.
- ▶ Use tax due the City is reduced by the amount of sales or use tax legally paid to another jurisdiction up to the City’s tax rate.

# Calculate How Much Use Tax is Owed: Deliveries

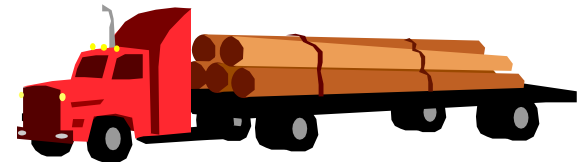
## Company XYZ – Casper, WY Invoice ABC

2 Reams Paper	10.00
1 Toner Cartridge	7.00
(500) Business Cards	<u>120.00</u>
Subtotal	137.00
Shipping/Handling	<u>12.00</u>
Total	149.00

No sales tax was charged/paid.

City of Louisville use tax of 3.5%  
or \$4.80 is owed on subtotal.  
(137.00 \* .035 = 4.80)

Louisville does not tax shipping  
when separately stated.



# Calculate How Much Use Tax is Owed: Deliveries

## Company XYZ – Provo, UT Invoice DEF

2 Reams Paper	10.00
1 Toner Cartridge	7.00
(500) Business Cards	<u>120.00</u>
Subtotal	137.00
Shipping/Handling	12.00
Tax	<u>4.32</u>
Total	153.32

**Note:** The State taxes Shipping  
and Freight charges

To determine what tax rate was  
charged, divide the tax by the  
subtotal.

$$(4.32 / 149.00 = .029)$$

State sales tax of 2.9% was  
charged/paid.

City of Louisville use tax of 3.5%  
or \$4.80 owed on subtotal.

$$(137.00 \times .035 = 4.80)$$

# Calculate How Much Use Tax is Owed: Deliveries

## XYZ Company – Denver, CO Invoice GHI

1 Super 500 Copier	<u>2,000.00</u>
Subtotal	2,000.00
Shipping/Freight	175.00
Tax	<u>87.00</u>
Total	2,262.00

**Note:** The State taxes Shipping  
and Freight charges

To determine what tax rate was  
charged, divide the tax by the  
subtotal.

$$(87.00 / 2,175.00 = .04)$$

State (2.9%) and RTD/CD (1.1%)  
were collected.

City of Louisville use tax of 3.5%  
or \$70.00 owed on subtotal.

$$(2,000.00 \times .035 = 70.00)$$



# Calculate How Much Use Tax is Owed: In-Person Purchases

XYZ Company - Superior, CO  
Invoice GHI

1 Super 500 Copier      2,000.00

Subtotal                      2,000.00

Shipping/Freight  
(Customer pick-up)      No Charge

Tax                              165.20

Total                              2,165.20

**Note:** The point-of-sale is  
Superior.

To determine what tax rate was  
charged, divide the tax by the  
subtotal.

$(165.20 / 2,000.00 = .0826)$

.0826

- .029 State

=.0536

- .011 RTD/CD

=.0426

- .008 Boulder County

=.0346 (Rounds to .035)

- .035 City of Louisville

.0      No use tax is due

# Calculate How Much Use Tax is Owed: In-Person Purchases

## 123 Manufacturing Firestone, CO Invoice XYZ

Milling Machine	50,285.00
Subtotal	50,285.00
Shipping/Handling (Customer pick-up)	No Charge
Tax	<u>1,005.70</u>
Total	51,290.70

**Note:** The point-of-sale is  
Firestone

To determine what tax rate was charged, divide the tax by the subtotal.

$$(1005.70 / 50,285.00 = .02)$$

Only Town of Firestone tax was collected at the rate of 2%.

Manufacturing equipment is exempt from State tax.

Firestone is not in the RTD District so no special district taxes are collected.

The difference between City of Louisville use tax of 3.5% and the 2% tax rate paid would be due to Louisville on the subtotal.  
 $(50,285.00 \times 1.5\% = 754.28)$

# Calculate How Much Use Tax is Owed: In-Person Purchases

## Costco - Superior, Invoice GHI

1 - Super Chair	500.00
3 – Cases Bottled Water	10.50
5 – lbs. Coffee	<u>30.00</u>
Subtotal	540.50
Shipping/Handling (Customer pick-up)	No Charge
Tax	<u>42.70</u>
Total	583.20

**Note:** The point-of-sale is Superior

You would not be able to use the self-calculating worksheet for this invoice because it is “mixed”. (The tax rate would be 7.9%).

The chair is taxable for all jurisdictions, but the food items are not taxed by the State.

$$\begin{aligned} \$500.00 \times 8.26\% &= 41.30 \\ \$40.50 \times 3.46\% &= \underline{1.40} \\ & \$42.70 \end{aligned}$$

# Samples, Demonstrations & Displays

For a sample, display or demo unit to be exempt and subject to resale, the retailer or wholesaler cannot make any use, other than incidental use of the item prior to resale. When a retailer or wholesaler's use of items from inventory is more than incidental, then the use becomes a taxable transaction which is separate and distinct from the retailer's subsequent taxable retail sale of the item to the end customer.

## Examples

- ***Louisville Manufacturer A*** sends out demos of its product to trade shows. The demos used for marketing purposes are subject to use tax to the manufacturer on the cost of the materials used to manufacture the demo unit. Any subsequent sale of the demo unit (at a standard or reduced purchase price) is a separate transaction and subject to sales tax.

# Samples, Demonstrations & Displays

- **Louisville Retailer B** operates a furniture store in the City and has a warehouse and a showroom. The retailer uses furniture, rugs, lighting, wood and fabric samples and other decorative accessories in its showroom. Customers view the floor samples, sit on the furniture and if they like an item may purchase the same item from stock or, may select the desired wood or fabric they want and place a custom order.

The floor stock, rugs, lighting, wood and fabric samples are all subject to City use tax to the retailer. If some of the floor samples are eventually sold, either at the full retail price or a reduced price, the transaction is subject to sale tax.

- **Louisville Manufacturer C** operates a food manufacturing business in the City. The manufacturer will periodically display new product in area grocery stores. The display requires the use of a custom refrigerated case which the manufacturer provides free of charge to the grocery store. If the manufacturer is providing the food to the grocery store free of charge, then the manufacturer must pay use tax to the City on the cost of the food provided. If sales tax was not paid by the food manufacturer on the price of the refrigerated display case, then use tax is due to the City on the purchase price.

# Samples, Demonstrations & Displays

- **Louisville Retailer E** operates an electronics store in the City. To induce customers to purchase goods, the retailer uses some of its inventory as demonstrator units on its sales floor. The retailer does not adjust their inventory value on their books as they intend to resell the items. The units are connected to a power source and are available for potential customers to view and test during store hours.

Because Retailer E is using these units for marketing and demonstration purposes, they must pay Louisville use tax on their wholesale purchase price of the units. Should any of the demonstrator units be subsequently sold, the retailer must charge City sales tax on the purchase price paid by the customer.

- **Louisville Retailer F** is a liquor store operating in the City. On the weekends, the retailer offers a “tasting” of wines it carries in the store and provides cheese and crackers to prospective customers. The wine is taken from inventory and the cheese and crackers are purchased from a local grocer. The retailer must pay use tax to the City on the cost of the wine used or discarded during the tasting. If sales tax was not paid by the retailer when purchasing the cheese and crackers, then use tax would be due on those items as well.

# Coupons, Gift Certificates, Trade Discounts, Give-Aways

## Examples

**Retailer A** offers a \$10 store coupon on the purchase of all 20" ceramic garden pots. The coupon reduces the taxable purchase price to the customer and sales tax should be calculated on the reduced price.

**Manufacturer B** publishes clip-out coupons in an area newspaper that offers a 20% discount on all Manufacturer B's vacuum cleaners through the end of the month. Customer A takes the coupon to an area retailer that carries the product and purchases a vacuum using the manufacturer's coupon. Sales tax should be charged to Customer A on the full original price of the vacuum and the 20% discount is subtracted after tax.

**Retailer C** buys and sells books. Customers can bring in used books and receive a \$1.00 trade-in discount towards future purchases of books. Customer B brings in four books and purchases one book retailing for \$21. Sales tax should be calculated and remitted on the discounted price of \$17.

# Coupons, Gift Certificates, Trade Discounts, Give-Aways

## Examples (Cont.)

**Retailer D** is a coffee shop that utilizes loyalty punch cards and annually hosts a customer appreciation day. Customer C buys a latte and receives one punch on their card. Sales tax should be calculated and remitted on the full price of the latte. The same Customer C buys a latte the following week and has a full punch card to present for payment. No sales tax is due on the latte and no use tax is due by the retailer. On customer appreciation day, Customer C comes in for the free 8oz. coffee. Use tax must be paid by Retailer D on all product consumed throughout customer appreciation day.



# Review of Sample Tax Return

- **Yummy Grocery – monthly summary information**
  - **Total Sales \$870,000 & Service Revenue \$10,000**
  - **Collected Bad Debt \$100**
  - **Sales to the Mini-mart for Resale \$2,000**
  - **Checks That Were Returned for NSF \$200**
  - **Cigarette Sales \$10,000**
  - **Sales to Government & Charitable Organizations \$1,000**
  - **Returned Goods \$100**
  - **Newspaper Sales \$600**
  - **Amount of City of Louisville Tax Collected \$29,979**
  - **Purchased a \$1,000 Floor Polisher without Paying Sales Tax**

# Gross Sales & Services

- **Gross Sales & Gross Service Revenue**
  - Includes sales that are not subject to sales tax
  - Includes service revenue that is not subject to sales tax
  - Includes rent & lease income
- **Bad Debt Collection**
  - Bad debt collections must be reported on tax return and appropriate tax paid
- All of these items are to be included in Line 2B of the City of Louisville Sales Tax Return

# Deductions – Calculations

- Service Sales
- Sales to Licensed Dealers (wholesale)
- Sales shipped out of Louisville
- Bad Debts
  - Bad debts on which tax was previously paid may be deducted on tax return
  - Y/E bad debt write-off
- Trade-ins for Taxable Resale
- Gasoline and Cigarettes
- Sales to Governmental, Religious and Charitable Organizations (with proper documentation)

# Deductions – Calculations (Cont.)

- Returned Goods (on which tax was previously paid)

(What is your company's refund policy and how do you handle tax on refunds?)

- Prescription Drugs/Prosthetic Devices
- Other (e.g. newspapers, gift certificates)

- What if you collect the wrong tax rate? (excess tax)

- Use Tax

- Final Calculations

# On-Line Business/Tax Manager

- You can:
  - Renew your City license
  - Use the self-calculating tax return
  - Remit a zero return
  - Remit a tax return and make payment up to \$100
  - Update your business contact information
  - Print a copy of your license
  - View your payment history



# Use Tax Calculation/Tool

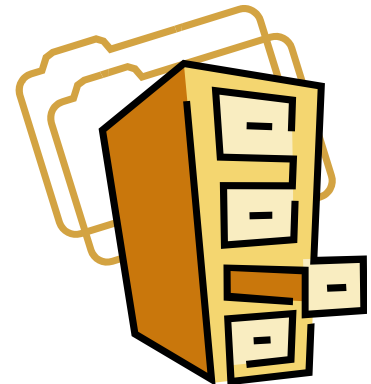
The City staff can not act as your accountants.

- ▶ If you or your accountant already have processes in place, please continue to use them!
- ▶ Introduction to Excel worksheet that can be used as an aid to help you determine your use tax liability.
- ▶ Mixed purchase invoices cannot be calculated with the use tax worksheet.
- ▶ **Note:** State and RTD use tax may also be due.



# Recordkeeping

- Tax returns must be postmarked (by the post office) on or before the due date
- All tax returns are due on the 20<sup>th</sup> day of the month following your filing period.
- Documents you are required to retain for sales tax audit purposes
- Exemption certification or resale (sales tax) licenses
- Signed delivery receipts
- Period of retention for documents



# Louisville – Penalties, Interest and Enforcement

- Penalties and interest – 10% and 1%
- Collection and enforcement fees  
(assessments, liens)  
\$25 and \$40
- County Certification
- Municipal Court Summons
- Distrainment Warrant/Seizure





# How is the Sales/Use Tax Used?

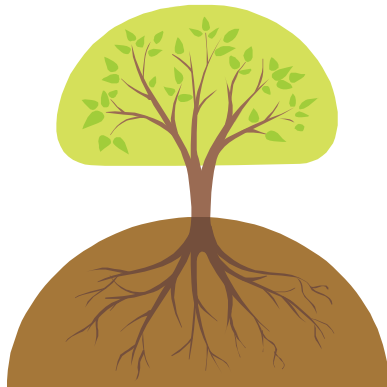
## Sales Tax/Consumer Use Tax

2% - General Fund

1% - Capital Projects

.375% - Conservation Trust (Land)

.125% - Historic Preservation



## Building Use Tax

3% - Capital Projects

.375% - Conservation Trust (Land)

.125% - Historic Preservation

## Auto Use Tax

3% - General Fund

.375% - Conservation Trust (Land)

.125% - Historic Preservation

# Web Site Resources

- [City of Louisville - www.louisvilleco.gov](http://www.louisvilleco.gov)
  - Ordinances
  - Tax Guide **New!**
  - Sales/Use Tax License application
  - Home Occupation Regulations
- Self-calculating and blank Sales Tax Return forms
  - City sales tax rates and breakdown
    - Vendor rate chart
- Listings of registered or licensed businesses
  - Revenue reports

# State Web Site Resources

## Colorado Department of Revenue

[www.taxcolorado.com](http://www.taxcolorado.com)

- Forms/applications
  - Tax rates
  - Online services
  - Tax classes
  - FYI publications
- Verify tax rates or license numbers
  - File zero returns

# Thank you for attending today!!

- Do you have any questions?
- Please take a few minutes to fill out the evaluation form in your handouts.
- Your feedback is greatly appreciated!!

